

Town of Los Altos Hills



Operating and Capital Improvement Program Budget

Fiscal Year 2002 - 2003

Town of Los Altos Hills

ADOPTED OPERATING AND CAPITAL IMPROVEMENT BUDGETS

**FISCAL YEAR
2002 - 2003**

Bob Fenwick

Mayor

Emily Cheng

Mayor Pro Tem

Toni Casey

Councilmember

Steve Finn

Councilmember

Mike O'Malley

Councilmember

RESOLUTION No. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE
TOWN OF LOS ALTOS HILLS ADOPTING THE OPERATING
AND CAPITAL IMPROVEMENT PROGRAM BUDGETS AND
APPROVING THE EMPLOYEE COMPENSATION SCHEDULE
FOR FISCAL YEAR 2002-2003**

WHEREAS, the City Council of the Town of Los Altos Hills has received and completed its review of the proposed 2002-2003 Fiscal Year Operating and Capital Improvement Program Budgets and Employee Compensation Schedule for fiscal year 2002-2003; and

WHEREAS, the City Council of the Town of Los Altos Hills now desires to adopt the 2002-2003 Fiscal Year Operating and Capital Improvement Program Budgets and Employee Compensation Schedule for fiscal year 2002-2003;

NOW THEREFORE, the City Council of the Town of Los Altos Hills does hereby resolve as follows:

1. The City Council does hereby approve and adopt an appropriations limit, pursuant to California Constitution Article XIII.B, for Fiscal Year 2002-2003 of \$3,493,878.
2. The City Council does hereby approve and adopt the Budget for the Town for Fiscal Year 2002-2003 consisting of appropriations and interfund transfers as set forth in Exhibits A and B and the Employee Compensation Schedule as set forth in Exhibit C attached hereto.
3. The amount of the 2002-2003 Fiscal Year budget for each account area of the Budget and as defined above, may be drawn upon in the form of warrants issued for payment of demands and certified in accordance with the provisions of California Government Code Sections 37208 and 37209.
4. The City Manager is hereby authorized to prepare an administrative budget which further specifies the accounts for the expenditure of appropriations approved by the City Council and set forth in Exhibit A. The City Manager shall provide the Council with copies of this Budget.
5. The City manager shall periodically report to the City Council the amount and classification of revenues received and expenditures made.
6. A copy of the adopted Budget, signed by the Mayor and attested to by the City Clerk, shall be kept on file with the City Clerk of the Town of Los Altos Hills, as the official Budget of the Town of Los Altos Hills for the 2002-2003 Fiscal Year.

REGULARLY PASSED AND ADOPTED this 20th day of June, 2002.

BY: _____
Mayor

ATTEST:

City Clerk

Financial Highlights

During fiscal year 2001-2002, the Town benefited from the first full year of service of our new City Manager, after experiencing a year of transition. Under the administration of this new administrator, the Town endeavored to provide timely and quality services to residents, while moving forward on several long-term projects. Progress was made on priority areas, such as the deferred maintenance on the Town's major infrastructure systems and update of the Town's General Plan and related ordinances.

Once again the highest priority in this fiscal year is the preservation of the Town's infrastructure assets. Specifically, the means to provide maintenance and replacement the Town's aging streets, pathways, utilities and buildings must be considered as a requirement for the continued successful delivery of municipal services into the future. As the cost of infrastructure planning and construction continues to increase, a discussion of the Town's capital project planning, priorities and funding will be critical. The recruitment of a City Engineer position reflects a commitment to advancing infrastructure maintenance, repair and replacement on a long-term basis.

BUDGET CONCERNS

State revenue shortfalls estimated to be as high as \$24 billion represent the greatest challenge to this year's budget preparation. While the Governor has assured municipalities that the Vehicle License Fee backfill will not be reduced or eliminated, we will not be certain until after the November, 2002 elections how the State's fiscal crisis will affect the Town. Town funding could decline by approximately \$400,000, which represents nearly 10% of the General Fund revenue.

Another challenge to this year's budget is the adjustment of fees for services. Council directed that building permits for new residences be reduced immediately. Staff will analyze costs related to permitting activities and recommend a revised fee schedule for planning, building and engineering permits. Because fee increases require a process of notices and hearings, any increases, if approved, would not become effective until three months into the new fiscal year. Accordingly, this budget document is based on the assumption that building permit fees for new residences will be reduced immediately and all fees will be adjusted when the new fee schedule is adopted.

Any changes to our budget estimates resulting from the complications described above will be addressed in the mid-year budget request. This Budget includes a cost of living increase of 2.1% for employees based on the most recent Consumer Price Index information available. We recommend that increases be delayed until after the mid-year budget request is prepared.

REVENUES

General Fund revenues for the Town in fiscal year 2002-2003 are projected at \$4.69 million, a 4% decline from the fiscal year 2001-2002 adopted budget and a 1.59% increase over the estimated actual for that year. As the economy continues to slow, revenues will remain flat or experience modest declines. Based on the most recent tax roll totals available, a 5.45% increase in property taxes is anticipated for fiscal year 2002-2003. Most other taxes are expected to level off somewhat, and real property transfer tax revenues are expected to return to their pre-1999 levels. Motor vehicle in lieu fee (MVLFF) revenue (categorized as intergovernmental revenue) is expected to retreat, assuming it is not eliminated in response to the State's budget shortfall. Although motor vehicle license fees were lowered to the consumer in 1999, the State continues to subsidize the fee reduction to keep local government's share of the MVLFF revenue in tact.

Other receipts for the General Fund are also projected to decline. Revenues from permits and licenses, which consist mainly of building fees will slow with the economy and decline due to the immediate downward adjustment of permits for new residences. Development applications are predicted to keep pace with 2001-2002 levels.

Investment revenue is expected to decrease with a decline in interest rates earned in California's Local Agency Investment Fund (LAIF). A return rate of 3% percent has been projected for the 2002-2003 fiscal year.

The Town's Enterprise Funds revenues are currently under review, as rate increases for both sewer and garbage collection services may soon be necessary to keep pace with increasing operating expenditures.

OPERATING EXPENDITURES

Total operating expenses for the General Fund in fiscal year 2002-2003 are projected to be approximately \$3.9 million. This represents a slight percent decrease over the 2001-2002 adopted budget, but a 14% increase over the estimated actual expenses for 2001-2002. Budgets for salaries and benefits are increased as a result of full achievement of authorized staffing levels. Salaries are budgeted to increase by 2.1%, based on the April, 2002 12-month growth in Bay Area Urban Wage Earners CPI. Step (merit) increases were also included in the proposed budget where they may be applicable. Higher salary expenses resulted in higher employee benefits, and the benefit rate increased slightly from 25% of payroll costs to 28%. The amount paid by the Town to the California Public Employee's Retirement System (CalPERS) for the employer's retirement contribution remained the same as last year. However, the premiums for employee health insurance, which the Town also obtains from CalPERS, is expected to increase 25%. In addition, due to declining membership in the

Association of Bay Area Government (ABAG) workers' comp group and the possibility that our group may disband, we have anticipated a 40% increase in premiums.

Brief descriptions of new activities and budget requirements are provided in the "Departmental Budgets" section of this document.

TRANSFERS

Proposed budget transfers to the General Fund for fiscal year 2002-2003 overhead expenses were calculated in a manner similar to that of the prior year. The overhead cost allocation formula was evaluated and updated to reflect the estimated administrative time involved for each of the Town's operational departments and Enterprise Funds. Transfers from the Enterprise Funds will serve to recoup \$137,000 by the General Fund in overhead allocations.

Transfers to the Capital Improvements Project Fund are shown on the "Interfund Transfer" page of the Budget Summaries section.

FUND LEVELS

Because of the uncertainties faced in the coming fiscal year, this Budget maintains the General Fund reserves at \$5.4 million. After the effects of the State budget crisis are known and the revised fee schedule is adopted, we may be able to fund more capital projects in accordance with the Town's Five Year Capital Improvement Program, adopted in September, 2001.

Although the proposed budget reflects a thoughtful and prudent allocation of the Town's resources, it is recognized that due to budgetary controls, some budgetary savings will be experienced in all departments, adding to the amount available to transfer to capital projects or to strengthen reserves. Every effort has been made to provide realistic expenditure proposals, consistent with the Council's stated priorities, to those areas that most need attention and will provide the means to better service the Town's residents long into the future. The budget is supported by revenues that remain fairly consistent even in a period of a slowing economy. The Enterprise funds also reflect good current fiscal health, and adequate revenues for operations.

LEVELS OF BUDGETARY CONTROL

This operating budget document contains a proposed expenditures budget for each department or program of the Town, accompanied by supporting narrative that provides details of significant program or service level changes from the prior year's budget. Although the budget document shows specific expenditures in line-item detail, budgetary review exists only at the level of expenditure categories (i.e., salaries and benefits, contract services, supplies and materials, etc.) within each department or program. The departmental budgets are utilized as guidelines, with emphasis placed on proper recording and reporting of the actual expenditures.

Budgetary controls are applied at an even higher level. Council must authorize, by budget amendment, all expenditures that exceed the following appropriations:

<u>Fund</u>	<u>Subfunds</u>	<u>Level of Budgetary Control</u>
General Fund	General Fund Drainage Operations Street Operations	Department or program within each subfund
Special Revenue Fund	Pathways Construction COPS CLEEP	Subfund
Proprietary Fund	Sewer Fund Solid Waste Fund Internal Service Fund	Subfund
Capital Projects		Project (account)

In addition to the above controls, departmental appropriations for salaries and benefits, which are based on the Employee Classification and Compensation Plan, may not be exceeded without Council approval.

The City Manager has the authority to make or approve administrative adjustments to the budget as long as those changes will not have a significant impact on projected year-end fund balances. In addition, the City Manager's contingency account is a budgetary account only; funds may be transferred from the contingency account to augment any other line item budget as approved by the City Manager.

ORGANIZATION OF BUDGET DOCUMENT

The "Budget Summaries" section of this document provides summarized information on a Town-wide basis. The "Fund Balance/Retained Earnings Analysis" presents estimated beginning fund balances, revenues, expenditures, transfers in and out, and the projected fund balance at June 30, 2003. The "Revenues" and "Expenditures summaries present summarized information by fund. The "Capital Outlay" summary indicates funding levels for various capital projects. Finally, The "Interfund Transfer" page details transfers to and from the various funds. The "Overview of Town Finances" and "Five Year Capital Improvement Program" pages show how resources – revenues and fund balances and retained earnings – fund operating and capital expenditures.

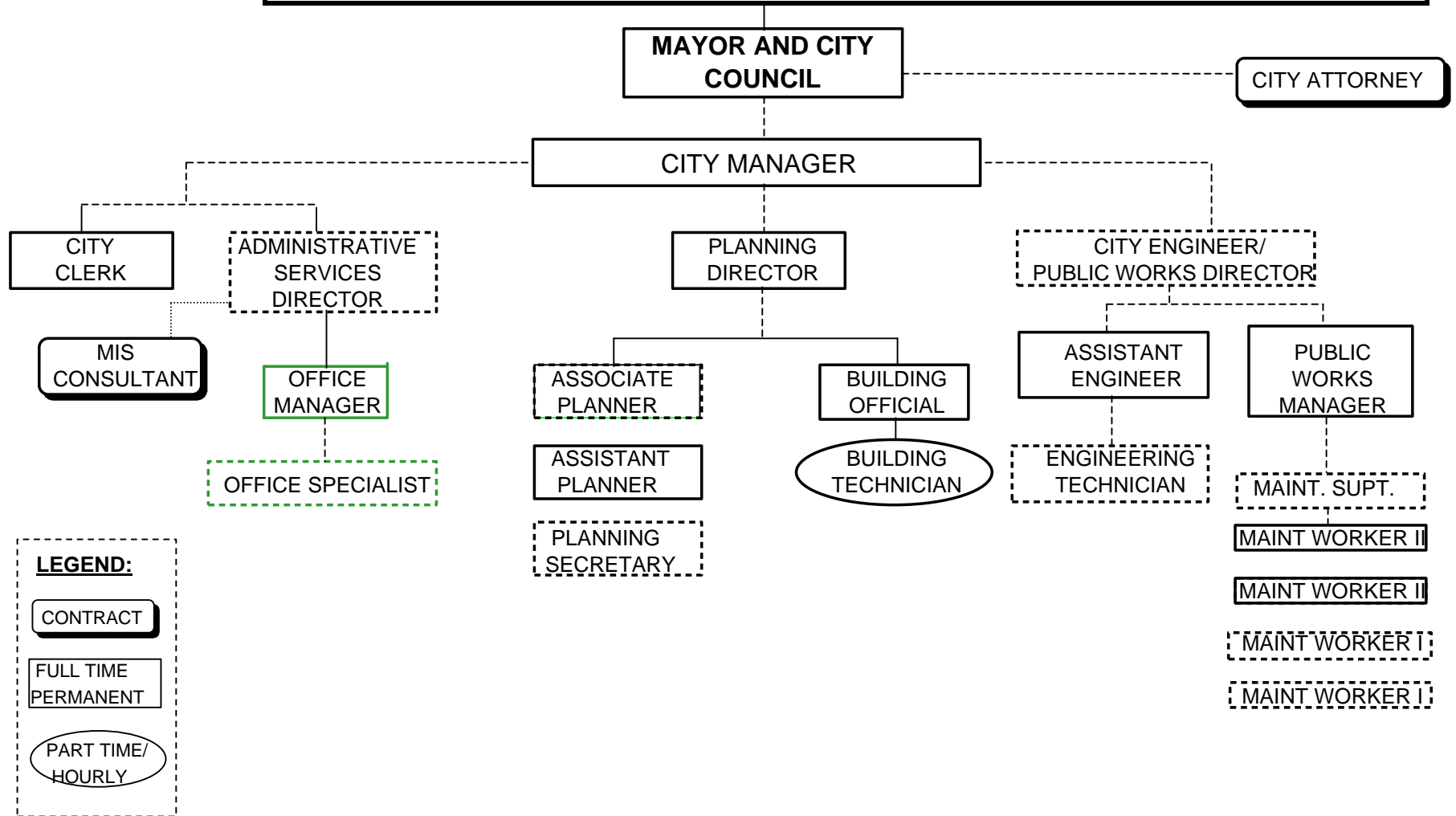
The next four sections – "Revenues," "Departmental Budgets," "Cost Allocations," and "Capital Improvement Program" – provide line item detail of the budget.

The next section is the fiscal year 2002-2003 staff compensation plan.

Town of Los Altos Hills
Revenue budgets
FY 2003

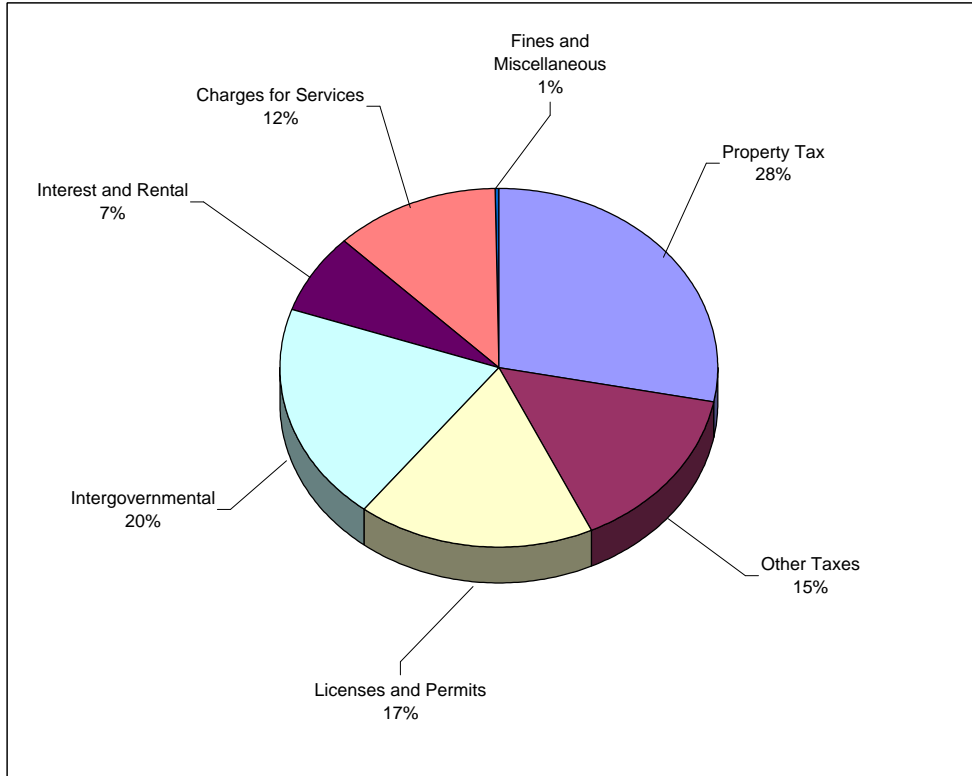
	Adjusted budget FY 2001-02	Estimated actual FY 2001-2002	Adopted budget FY 2002-2003
GENERAL FUND			
Property taxes	1,445,500	1,330,739	1,402,550
Other taxes	342,200	389,188	400,200
Franchise fees	287,800	349,877	346,300
Permits and licenses	957,795	880,800	862,438
Use of money and property	450,575	410,937	370,803
Intergovernmental revenue	470,667	494,126	803,915
Charges for services	407,400	374,040	407,400
Other miscellaneous revenue	16,065	17,645	16,080
TOTAL - GENERAL FUND	4,378,002	4,247,351	4,609,686
STORM DRAIN FUND			
Charges for services	150,000	116,000	150,000
STREET FUND			
Intergovernmental revenue	161,000	161,227	176,890
Charges for services	45,000	44,089	45,000
TOTAL - STREET FUND	206,000	205,316	221,890
COMBINED GENERAL FUND	4,734,002	4,568,667	4,981,576
SPECIAL REVENUE FUNDS			
PATHWAYS CONSTRUCTION			
Use of money and property	0	2,000	1,500
Charges for services	0	77,000	50,000
TOTAL - PATHWAY CONSTRUCTION FUND	0	79,000	51,500
CITIZENS' OPTION FOR PUBLIC SAFETY (COPS)			
Intergovernmental revenue	0	100,000	100,000
CALIFORNIA LAW ENFORCEMENT EQUIPMENT PROGRAM (CLEEP)			
Intergovernmental revenue	0	32,473	0
TOTAL SPECIAL REVENUE FUNDS	0	211,473	151,500
ENTERPRISE FUNDS			
SEWER FUND			
Use of money and property	94,420	80,000	70,000
Charges for services	668,105	662,730	663,105
TOTAL - SEWER FUND	762,525	742,730	733,105
SOLID WASTE FUND			
Use of money and property	26,230	24,000	20,000
Intergovernmental revenue	7,000	7,000	7,000
Charges for services	1,560,000	1,560,000	1,560,000
Other miscellaneous revenue	30,000	25,000	25,000
TOTAL - SOLID WASTE FUND	1,623,230	1,616,000	1,612,000
TOTAL ENTERPRISE FUNDS	2,385,755	2,358,730	2,345,105
INTERNAL SERVICE FUNDS			
GENERAL SERVICE FUND			
Use of money and property	1,543	1,700	1,500
Other miscellaneous revenue	250	0	0
TOTAL - GENERAL SERVICE FUND	1,793	1,700	1,500
TOTAL REVENUES	7,121,550	7,140,570	7,479,681

RESIDENTS OF LOS ALTOS HILLS



Town of Los Altos Hills

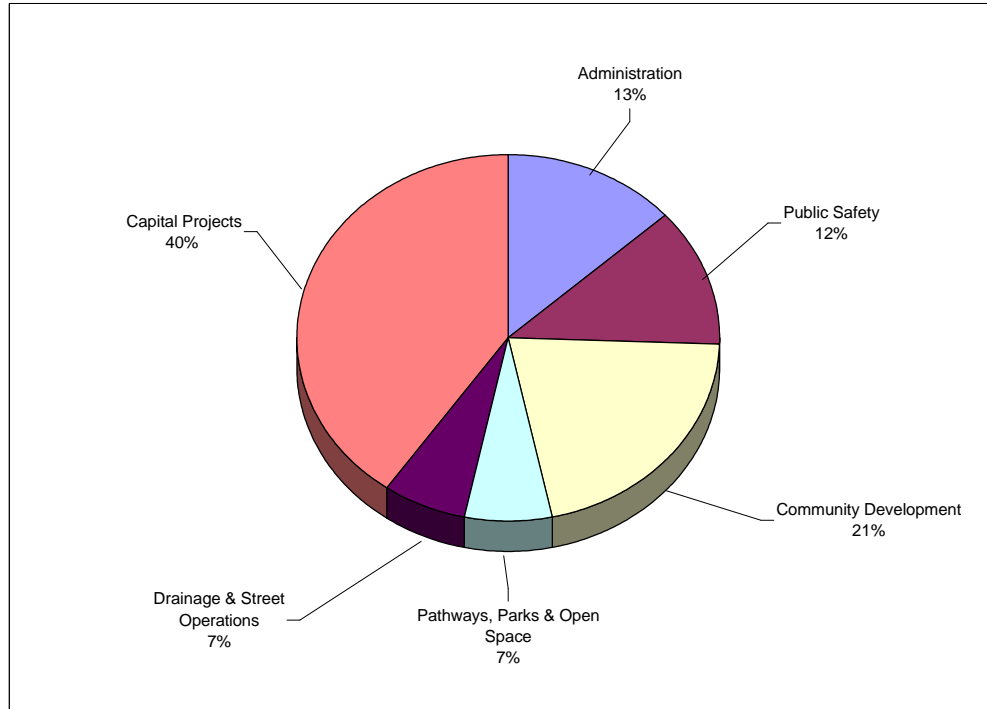
General Fund Revenues Budget for Fiscal Year 2002-2003



	Budget FY 2003	Estimated Actual FY 2002	Increase (Decrease)	% Increase (Decrease)
Property Tax	1,402,550	1,330,739	71,811	5.40%
Other Taxes	746,500	739,065	7,435	1.01%
Licenses and Permits	862,438	880,800	(18,362)	-2.08%
Intergovernmental	980,805	655,352	325,453	49.66%
Interest and Rental	370,803	410,937	(40,134)	-9.77%
Charges for Services	602,400	534,129	68,271	12.78%
Fines/Miscellaneous	16,080	17,645	(1,565)	-8.87%
Total	4,981,576	4,568,667	412,909	9.04%

Town of Los Altos Hills

Governmental Fund Expenditures * Budget for Fiscal Year 2002-2003



	Budget FY 2003	Estimated actual FY 2001	Increase (Decrease)	% Increase (Decrease)
Administration	891,183	792,910	98,273	12.39%
Public Safety	826,896	806,474	20,422	2.53%
Community Development	1,406,628	1,223,363	183,265	14.98%
Pathways, Parks & Open Space	456,249	255,719	200,530	78.42%
Drainage & Street Operations	414,411	437,632	(23,221)	-5.31%
Capital Projects	2,708,853	2,616,921	91,932	3.51%
Total	6,704,220	6,133,019	571,201	9.31%

* Includes General Fund, Special Revenue Funds, and Capital Improvement Funds

**Town of Los Altos Hills
Budget Summary**

2002 - 2003 Fiscal Year

	Estimated Fund balance/ retained earnings 06/30/2002	Budgeted revenues FY 2003	Budgeted expenditures/ expenses FY 2003	Budgeted transfers in FY 2003	Budgeted transfers out FY 2003	Estimated fund balance/ retained earnings 06/30/2003
General Fund						
General	5,440,952	4,609,686	3,453,514	148,854	1,308,888	5,437,090
Storm Drain Fund	0	150,000	198,322	48,322		0
Street Fund	0	221,890	209,618		12,272	0
Combined General Fund	5,440,952	4,981,576	3,861,454	197,176	1,321,160	5,437,090
Special Revenue Funds						
Pathway Construction	99,228	51,500			110,728	40,000
Citizens' Option for Public Safety (COPS)	184,691	100,000	133,913			150,778
California Law Enforcement Equipment Program (CLEEP)	40,489	0	0			40,489
Total Special Revenue Funds	324,408	151,500	133,913	0	110,728	231,267
Capital Projects Funds						
General CIP Fund	141,940		0		141,940	0
Pathways/Parks/Open Spaces	578,183		395,000	405,728		588,911
Drainage	23,278		118,003	118,725		24,000
Street	1,718,157		1,758,300	988,781		948,638
Solid Waste	56,800		74,600	74,600		56,800
Town Hall Study and Design	0		62,950	62,950		0
Sewer	355,978		300,000	300,000		355,978
Total Capital Projects Funds	2,874,336	0	2,708,853	1,950,784	141,940	1,974,327
Proprietary Funds						
Sewer	2,838,794	733,105	441,321		379,385	2,751,193
Solid Waste	712,214	1,612,000	1,551,072		131,797	641,345
Total Proprietary Funds	3,551,008	2,345,105	1,992,393	0	511,182	3,392,538
Internal Service Funds						
Internal Service	246,354	1,500			62,950	184,904
Total Internal Service Fund	246,354	1,500	0	0	62,950	184,904
Totals - All Funds	12,437,057	7,479,681	8,696,613	2,147,960	2,147,960	11,220,125

Town of Los Altos Hills
Departmental Operating Budgets
FY 2003

	Adjusted budget FY 2001-02	Estimated actual FY 2001-02	Adopted budget FY 2002-2003
GENERAL FUND OPERATIONS			
City Council	35,900	32,900	37,150
City Manager	190,402	171,002	191,737
City Clerk	137,224	130,819	149,383
Finance	227,801	238,563	211,326
City Attorney/Insurance	188,300	138,257	196,545
Community Services	30,298	30,298	34,677
Town Committees	78,990	51,071	70,365
Public Safety	656,807	662,607	692,983
Planning	535,886	473,861	566,223
Building	434,202	347,892	467,959
Engineering	445,189	401,610	372,446
Playing Fields	20,911	44,034	40,984
Westwind Barn	7,795	1,653	3,506
Pathways/Parks/Open Space	207,060	210,032	411,759
Graffiti Abatement	6,321	3,320	6,471
Storm Drain	169,441	165,641	198,322
Street Operations	288,071	268,671	209,618
TOTAL	3,660,598	3,372,231	3,861,454
SPECIAL REVENUE FUNDS			
Citizens' Option for Public Safety	0	49,014	133,913
California Law Enforcement Equipment Program	0	94,853	0
TOTAL	0	143,867	133,913
ENTERPRISE FUNDS OPERATIONS			
Sewer Fund	546,008	365,183	441,321
Solid Waste	1,459,715	1,485,793	1,551,072
TOTAL	2,005,723	1,850,976	1,992,393
INTERNAL SERVICE FUND			
Town Center Operations	303,782	293,189	236,969
Office Equipment	16,400	31,812	1,500
Corp Yard Operations	32,550	36,135	31,258
Vehicle/Equipment Operations	70,860	67,060	68,964
Vehicle/Equipment Capital	0	0	0
TOTAL	423,592	428,196	338,691
Less Internal Service Fund allocations to Departments	(423,592)	(428,196)	(338,691)
	\$5,666,321	\$5,367,074	\$5,987,760

Town of Los Altos Hills
CIP Budget
FY 2003

CAPITAL IMPROVEMENT PROGRAM FUNDS

	General CIP	Pathways/ Parks/ Open Space	Drainage	Street	General Services	Solid Waste	Sewer	Totals
Projects								
Pathways		395,000						395,000
Storm drain master plan			75,000					75,000
Storm drain master plan projects			43,003					43,003
Pavement rehabilitation				1,200,000				1,200,000
Bridge repairs				358,300				358,300
Pavement striping and marking				100,000				100,000
Natoma Road landslide				100,000				100,000
Sewer master plan and projects							300,000	300,000
Corporation Yard project						74,600		74,600
Town Hall study and design					62,950			62,950
TOTALS	0	395,000	118,003	1,758,300	62,950	74,600	300,000	2,708,853
Funding sources - transfers in								
General Fund		295,000	118,725	846,841				1,260,566
Pathway Construction Fund		110,728						110,728
General CIP Fund				141,940				141,940
Solid Waste Fund						74,600		74,600
Sewer Fund							300,000	300,000
Internal Service Fund					62,950			62,950
From CIP Fund Balance				769,519				769,519
TOTALS	0	405,728	118,725	1,758,300	62,950	74,600	300,000	2,720,303